SHRI P. CHIDAMBARAM: I am ready to travel to other States, if that will give a fillip to the banks. I don't think there is any bank which is denying a loan. If there is a particular complaint about a bank, please bring it to me notice, and I will attend to it.

SHRIMATI AMBIKA SONI: Sir, I want to know from the hon. Minister whether he is aware—he says that nobody is being denied educational loans, at least, it is not in his knowledge—that those students who are following Humanities courses have often been refused loans. They are being deprived of this facility provided by the Government. If he is aware of this, then, what is the number of students who have been deprived of educational loans for Humanities courses?

SHRI P. CHIDAMBARAM: Sir, I did not say that nobody is being denied a loan. All I said is, a large number of loans are given. Cases have come to me where students have been denied loans. I have intervened and those cases have been sanctioned. In a few cases where the students gave wrong particular to me, I had written to the banks, and the banks had reported to me why they had declined the loan. The hon. Member is right that the scheme only covers professional courses like engineering, medicine, agriculture, veterinary, law, dental, management, computers; it covers computer certificate courses or reputed institues accrediated to the Department of Electronics, it covers courses like ICWA, CA and CFA; it covers courses conducted by IIM, IIT, IISC, XLRI and NIFT. So, you will find that, by and large, these are professional courses. In the humanities, I agree, there is a little reluctance on the part of banks to lend because of reasons which all of us know. But, it is not correct to say that everyone who pursues Humanities courses is being denied. For example, Ph.Ds are granted. But, I agree that the bias is in favour of professional courses and not enough loans are being given to those who pursue Humanities.

Internal audit system for Panchayati Raj System

*283. SHRI K. RAMA MOHANA RAO: Will the Minister of PANCHAYATI RAJ be pleased to state:

(a) whether Government are contemplating introduction of an internal audit system for all tiers of Panchayati Raj System;

(b) the steps being taken by Government to provide institutional framework to this system at the State and Union level;

(c) what will be the implications of this new institutional framework *vis-a-vis* the CAG who has been auditing 30,000 crores that are flowing into Panchayati Raj Institutions; and

(d) whether the proposal is part of the recommendations made at the Conference of the Panchayati Raj Ministers?

THE MINISTER OF PANCHAYATI RAJ (SHRI MANISHANK ARAIYAR); (a) to (d) A Statement is laid on the Table of the House.

Statement

(a) to (c) Panchayati Raj is a State subject. The Ministry of Panchayati Raj is responsible for advocacy and monitoring of the implementation of the Constitution (73rd Amendment) Act, 1992 to ensure that the State Panchayati Raj Acts adhere to the provisions of the Act and to endeavour to secure implementation in letter and spirit. As per Article 243J of the Constitutution "The Legislature of a State may, by law, make provisions with respect to the maintenance of accounts by the Panchayats and the auditing of such accounts". Therefore, it is for State Governments to identify the agency to get the budget/funds of Panchayats audited. The Guidelines issued by the Ministry of Finance for the utilization of local bodies grants recommended by the Eleventh Finance Commission (2000-01 to 2004-05) provide that the C&AG shall be responsible for exercising control and supervision over the proper maintenance of accounts and their audit for all the three tiers/levels of PRIs and ULBs. State Governments should send a request under section 20(1) of the CAG(DPC) Act, for this purpose. As per the Guidelines, the format for the preparation of budgets and for keeping accounts for local bodies shall be as prescribed by the C&AG. this subject has been discussed further in the sixth Round Table of Ministers in charge of Panchayati Raj at Guwahati On 27-28 November 2004. A copy of the conclusions reached during the sixth Round Table are enclosed as Statement-I (See below).

In para (iv) of the conclusions of the sixth Round Table, under the heading audit, it has been recommended that there is need to establish an internal audit system at every tier of the Panchayati Raj System and to regard C&AG audit (or audit by bodies certified or technically guided by C&AG) as complementary external audit.

Since local bodies are now institutions of local self-government in terms of Article 243G of the Constitution, it is necessary to upgrade the work of the Director of Local Fund Audit (DLFA) and other similar bodies to the level required by Constitutional imperatives and, to this end, for the DLFA and other similar bodies to work in concert with the Comptroller & Auditor General (C&AG) of India. In the seven Round Tables, about 150 recommendations have been made to strengthen Panchayats as true institutions of self government. These have been adopted by consensus by the Ministers in charge of Panchayati Raj in the States at the last Round Table held at Jaipur. The Ministry has now initiated a process of meeting and visits to review progress in implementing these recommendations. These steps will continue through 2005-06 and subsequent year with sectoral conferences and visits to each State.

(d) Yes Sir.

Statement-I

Sixth Round Table of Ministers in-charge of Panchayati Raj-Gwahati, 27-28 November2004

Ministers in-charge of Panchayati Raj, and their representatives, bearing in mind the spirit of cooperative federalism which must inform the effective implementation of Panchayati Raj as set out in Part IX of the Constitution of India and related provisions, agreed to recommend to their respective governments, for joint acceptance by the Centre and the States, the following points of action:

Elections

(i) The Indian voter is one and indivisible. The principle of parity between parliamentary and assembly elections, on the one hand 'and panchayat elections, on the other, must therefore be maintained, especially as it is noticed that people's participation in panchayat elections is substantial and generally equal to or higher than in parliamentary/assembly elections. Thus, for example, even in States with difficult geographical terrain, 88% of the electorate has participated in panchayat elections in Himachal Pradesh and 83.5% has participated in Sikkim.

(ii) While all matters relating to panchayat elections have been vested by the Constitution in State legislature/governments, there is need

to work towards commonality, if not uniformity, in election procedures and provisions. To this end, it would desirable to vest all responsibilities for the election process in State Election Commissions rather than splitting these up, including:

(a) preparation of electoral rolls;

(b) delimitation of constituencies;

(c) reservations and rotations;

(d) qualifications of candidates;

(e) conduct of elections; and

(f) functioning as the first stage of adjudication in election disputes.

(iii) The Union Government might consider the preparation of a model code relating to the supervision, direction and conduct of elections to the Panchayati Raj Institutions (PRIs)

(rv) With a view to evolving a common electoral roll for all levels of elections, consultations between the Chief Election Commissioner (CEC) and the State Election Commissioners(SECs) might be encouraged with a view to resolving pratical problems that might arise in the preparation, maintenance and updating of such electoral rolls for electionsto be held at different times for different levels of Governments. The panchayat and nagarpalika wards should be regarded as the building blocks for electoral rolls for all levels of election.

(v) Consideration may be given to incorporating in the laws pertaining to PR elections the same provisions of disclosure as apply to Parliament and State Assembly Elections.

(vi) The Election Commission of India (ECI) might be approached for establishing a forum for institutional interaction between SECs and ECI on issues such as directives being issued by the State Election Commission; the use of radio broadcasting for disseminating election-related information; anomalies arising out of migration; linking delimitation with census operation; uniformity in service condition of SECs; and proposals like sealing the electronic chip in the Electronic Voting Machine (EVM), and not the machine itself, for evidentiary

purposes, thus leaving the machine free for use in Panchayat elections.

(vii) States may consider according the same salary and emoluments to State Election Commissioners as High Court Judges are entitled to.

(viii) It is recommended that the Delimitation Commission be regularly in contaot with the SEC's, who are members of the Commission, to sort out practical difficulties arising out of delimitation process.

(ix) To facilitate the use of Electronic Voting Machines (EVMs) in Panchayat elections, the Union Government in consultation with Election Commission of India and the SECs, might consider issues relating to the funding of the purchase of EVMs for the use of State Election Commissions.

(x) Elections to District Planning Committees provided for in Article 243ZD of the Constitution might also be brought within the purview of State Election Commissions to ensure full conformity with Constitutional provisions, which has not always been the case.

Audit

(i) Since local bodies are now institutions of local self-government, it is necessary to upgrade the work of the Director of Local. Fund Audit (DLFA) and other similar bodies to the level required by Constitutional imperatives and, to this end, for DLFA and other similar bodies to work in concert with the Comptroller and Auditor General of India (C&AG).

(ii) In recognition of PRIs being institutions of local self-government, PRIs themselves should be associated with the preparation of standards and norms and the emphasis should be on fund management and fund tracking, rather than simply on fundflow, to ensure greater accountability.

(iii) In order to ensure that such audit contributes effectively to capping, reducing and eventually eliminating the scope for corruption in Panchayati Raj Institutions (PRIs), it is necessary that audit & accounting standards appropriate to the work of the Panchayats be established and observed. These standards should be elementary,

simple and easily comprehensible to the elected representatives, and should focus on:

- when transactions should be looked into;
- what should be monitored;
- how the transactions should be documented; and
- how they should be disclosed.

(iv) There is need to establish an internal audit system at every tier of the Panchayati Raj system and to regard C&AG audit (or audit by bodies certified or technically guided by C&AG) as complementary external audit.

(v) Audit, to be effective, might include the establishment of a National Accounting Standards Board (NASB) for local government accounts and be complemented by the establishment of audit commissions or similar such regulatory bodies at the State level.

(vi) Besides, arrangements may be made in State Legislatures for the establishment of Public Accounts Committees (PACs) specifically for PRIs or for the accounts of PRIs to be submitted to PR Committees of the State Legislatures. State level committees, as in Andhra Pradesh; for the settlement of audit paras may also be considered.

(vii) It may be useful to complement such institutional arrangements by legislating an appropriate Fiscal Responsibility Act for elected local authorities.

(viii) Outsourcing of accounting by such measures as village panchayats being authorized to employ certified Chartered Accountants against standard contracts might be considered.

(ix) The training of both officials and elected representatives in sound accounting and audit practices is a high priority. To this end, State Governments are invited to make full use of the Regional Training Institutes(RTIs) functioning under the aegis of the C &AG in particular the RTI at Kolkata which has been declared a centre of excellence; as also of the Institute of Public Auditors of India (IPAI). Substantial additional funding from the Union Government to facilitate training is a high priority.

(x) Those State Governments which have not as yet availed of the arrangements for bringing the C&AG into the exercise of accounting and audit, including the C&AG's Technical Guidance and Supervision (TGS) Scheme for the PRIs, are invited to do so and the attention of all concerned is drawn to the publications of the Indian and Audit Accounts Department, in particular:

(a) Auditing Standards for PRIs and Urban Local Bodies
(b) Guidelines for Certification of Audit of Accounts of PRIs
(c) Training module of Audit of Gram Panchayats

(xi) Given the shortage of staff for undertaking formal accounts and audit work in the lakhs of Village Panchayats, thousands of Intermediate Panchayats and hundreds of Zilla Parishads around the country, it is essential that automation and computerization of accounts be undertaken with all deliberate speed and to this end software like the one being prepared by the Xavier Institute of Management, Bhubaneshwar for the Orissa State Government, for maintaining day-to-day accounts, which is expected to be ready by early 2004, be deployed as widely as possible everywhere.

(xii) Social audit is an important complement to formal audit and for the sound and healthy development of Panchayati Raj, it is essential to establish a symbiotic relationship between social and formal audit.

(xiii) Social audit must necessarily be undertaken at the level of the Gram Sabha but might also be undertaken at higher levels of the Panchayat Raj system, as in West Bengal.

(xiv) For social audit to be effective and based on the best practices available in different States, consideration might be given to the preparation of Social Audit Policies for adoption by State Legislatures/ Governments so as to provide a framework within which social audit is undertaken. Such Social Audit Policies may be targeted at facilitating popular participation in fighting corruption in Panchayats, as also complementing formal audit processes by quality assessment, ascertainment of preferences and the provision of choices. At the same time, Social Audit Policies may provide for institutional measures to prevent needless harassment

(xv) To ensure appropriate follow-up to issues raised through social audit, legislative bodies and regulatory authorities might treat social audit

resolutions on par with formal audit paras to ensure consideration and disposal within a time-bound framework.

(xvi) Given the critical importance of total disclosure of information for effective social audit, States might consider passing Right to Information legislation, taking into account the legislation already on the books in such States as Rajasthan.

SHRI K. RAMA MOHANA RAO: Sir, I am very thankful to the hon. Minister for his comprehensive and detailed reply. At the same time, I wish to say that the Eleventh Finance Commission recommended that the C&AG be made responsible for technical guidance and supervision for proper maintenance of accounts and audit by Panchayati Raj institutions. I would like to know from the hon. Minister how many State Governments sent their requests under Section 20(1) of the CAG Act for getting technical guidance from CAG

SHRI MANI SHANKAR AIYAR: Sir, while I can confirm that the Ministry of Finance have, in fact, issued guidelines for the utilization of local bodies' grants recommended by the Eleventh Finance Commission saying that the C&AG will be responsible for exercising control and supervision over the proper maintenance of accounts and their audit for all the three tiers, or levels, of the Panchayati Raj institutions and the Urban Local bodies. It is for the State Governments to send a request under section 21 of the C&AGDPC Act. I don't immediately have with me the details of the States which have not so far made this request. But at the round table of the Ministers of Panchayati Raj in Guwahati in November, it was agreed by consensus among all of us that all States that have not yet done so should do so and in accordance with that recommendation, my Ministry has been pursuing with the State Governments that have not yet put in their applications. We are trying to persuade them because we can't force them to do it. We are trying to persuade them to do this on the basis of giving them information about how useful it is to get this thing done, and there is a proposal from the Office of the C&AG that a one-day conference be called in the month of April to work with Accountants General and Secretaries, in charge of Panchayati Raj of States where the progress is slow, to bring them all within this network.

SHRI K. RAMA MOHANA RAO: Sir, due to inadequate manpower, which deals with accounts, audit of lakhs of Village Panchayats was in arrears.

So, there is an urgent need to impart training to Gram Panchayat Secretaries to enable them to prepare the accounts because this would relieve auditors from accounting work. Otherwise, instead of auditing, they are doing accounting work. So, I want to know from the Minister whether the Government of India is thinking of setting up of an Institute of Public Auditor of India, in each State, to facilitate the accounting and auditing of Gram Panchayats. And, how much additional fund the Ministry has provided to facilitate training to Panchayats.

SHRI MANI SHANKAR AIYAR: Sir, the point made by the hon. Member is well taken. We are giving utmost importance to training. One, there are three specific steps that have been suggested by the office of the C&AG after we networked him into this process. One, I have already referred to— the proposed one-day conference. Two, they have also prepared a status paper on the kind of training initiatives undertaken by the C&AG and, on the basis of that, they are improving the system. I must say that it is a very impressive status paper, and I would be happy to share it with the hon. Member.

The third thing that is being done is that the C&AG are preparing a concept paper for setting up local Self-Government Accounting Standards Boards for each of the local bodies. Into this process, Sir, we have networked the Institute of Public Auditors of India and, as you would see from the 16 recommendations in this regard made in Guwahati, we are attempting to bring as many people as possible into the C&AGs Technical Guidance and Supervision Scheme. We are trying also to make all these institutions aware through documents, three main major documents of the Indian and Audit Accounts Department - the auditing standards for PRIs and urban local bodies, the guidelines for certification for audit of accounts of PRIs and training module for audit of Gram Panchayat trying to get the message spread as far as possible. But as there are lakhs of Village Panchayats, thousands of intermediate Panchayats, hundreds of intermediate Panchayats and hundreds of district Panchayats, hon. Member would appreciate that this is an on-going process but I am truly grateful to him for the interest he is taking in this vital matter which, we believe very strongly will help reduce corruption in the third tier of Government.

डा0 छत्रपाल सिंह लोधा: सभापति महोदय, मैं माननीय मंत्री जी से पूछना चाहता हूं कि बगैर प्रॉपर नैटवर्क के आपने यह जो योजना हाथ में ली है, उसके कारण नीचे पंचायतों में भ्रष्टाचार हो

रहा है। कांटेक्ट करके बी.डी.ओ. के द्वारा पंचायतों को ठेके दिए जा रहे हैं कि आप कितनी पंचायतों का ऑडिट करके देंगे, और उसमें भ्रष्टाचार हो रहा है। क्या अपना नैटवर्क खड़ा करने के बाद आप इस काम को शुरु करेंगे? क्या आप इस योजना पर दोबारा विचार करेंगे?

श्री मणि शंकर अय्यर : सभापति महोदय, सबसे पहले मैं यह कहना चाहता हूं कि भ्रष्टाचार का आरोप तथ्यों के आधार पर लगाया जाना चाहिए। मुझे नहीं लगता है कि हमारी पंचायतों में जो माननीय सदस्य चुनकर आते हैं, उनमें से ज्यादातर लोग भ्रष्ट हैं, कुछ ऐसे उदाहरण हो सकते हैं, जहां वे भ्रष्ट हों। हमें यह देखना है कि जो पूरा ढांचा है, प्रणाली है, उसको क्या हम बेहतर बना सकते हैं? इसी दृष्टिकोण से जब हमने सारे पंचायती राज मंत्रियों को पिछले साल नवंबर में, गोहाटी में बुलाया, तो हमने 16 ऐसी सिफारिशें तैयार कीं, जिनके जरिए हम उम्मीद रखते हैं कि भ्रष्टाचार को कम करने के लिए जो फॉर्मल, औपचारिक आडिटिंग होती है, उसके जरिए कैसे कर सकते हैं और इसके साथ-साथ जिसको सोशल ऑडिटिंग कहते है, उसको भी जोड़कर क्या हम आगे बढ सकते है? अन्य राज्यों का जो अनुभव था, उसको हमने सबके सामने पेश किया। नतीजा यह हुआ कि 16 ऐसी सिफारिशें है, जिनको हमने अपने उत्तर के माध्यम से सारे सदस्यों को बताया है। मेरा यह अनुरोध है कि आप इसका अध्ययन करें, और यदि आपके कोई सुझाव हों, तो हमें उनसे अवगत कराएं।

SHRI JAIRAM RAMESH: Sir, the Twelfth Finance Commission has made a recommendation of devolving Rs. 20,000 crore to Panchayats and Rs. 5000 crores to municipalities over the next five years. I would like to ask the hon. Minister of Panchayati Raj, taking advantage of the presence of his colleague, the Finance Minister as well, whether the Government has decided to follow the recommendations of the Twelfth Finance Commission in its entirety which includes not just the devolution Rs, 25,000 crores over the next five years but also the establishment of a Panchayati Raj reform facility and link the devolution to the strengthening of local self-Government institutions.

SHRI MANI SHANKAR AIYAR: Sir, I am not sure, if Parliamentary procedure would allow the Finance Minister to answer this supplementary rather than myself. But as the recommendations of the Twelfth Finance Commission have now been formally placed before Parliament recently, I can assure the hon. Member that I will work as closely as possible with the hon. Finance Minister to ensure that whatever recommendations have been made by the Twelfth Finance Commission do get implemented. We certainly, greatly appreciate the assistance the Twelfth Finance Commission

has given us with regard to genuinely empowering the Panchayati Raj institutions with functions, functionaries and the Finances to be able to run the third tier of Government.

MR. CHAIRMAN: Next question. Q. No. 284.

PROF. SAIF-UD-DIN SOZ: Sir, I want to ask about Kashmir Panchayat. आप मुझे एक मौका दे दीजिए ...(**व्यवधान**)... यह कश्मीर पर है ...(**व्यवधान**)... It is a very important thing.

آپ مجھے ایک موقع دے دیجئے..... مداخلت.... یہ کشمیر پر ہے.... مداخلت....

اٹ ازاے وري امپورٹنٹ تھنگ-

MR. CHAIRMAN: I won't allow you.

PROF. SAIF-UD-DIN SOZ: Sir, why this hurry?

MR. CHAIRMAN: I am not allowing you because I have to complete the questions.

†**प्रो. सैफुद्दीन सोज** : कश्मीर में पंचायत के मामले पर ...(**व्यवधान**)...

پرو فیسر سیف الد ین سوز: کشمیر میں پنچا یت کے معا ملے پر....مداخلت....

श्री सभापति : मैं एलाऊ नहीं कर रहा हूं, आप हर मामले में जिद मत किया कीजिए।

पंचायती राज की त्रि-स्तरीय व्यवस्था

*284. **श्री दारा सिंह चौहान** : क्या पंचायती राज मंत्री यह बताने की कृपा करेंगे कि :

(क) पंचायती राज व्यवस्था की त्रि-स्तरीय व्यवस्था के अंतर्गत प्रधानों, विकास समितियों और जिला परिषदों के सदस्यों को दिए गए अधिकारों का ब्यौरा क्या है;

(ख) ग्राम पंचायतों के विकास के लिए उपलब्ध योजनाओं और प्रत्येक योजना के अंतर्गत दी जाने वाली धनराशि का ब्यौरा क्या है;

(ग) क्या सरकार को इस बात की जानकारी है कि उत्तरांचल और उत्तर प्रदेश में गत तीन वर्षों में उपरोक्त योजनाओं के अंतर्गत विकास कार्यों को ढंग से पूरा नहीं किया गया है; और

†Transliteration of Urdu Script.